

Cable  
Text:

C O N F I D E N T I A L DOHA 00863

SIPDIS  
CXDOHA:

ACTION: AMB  
INFO: P/E DCM

DISSEMINATION: AMB /1  
CHARGE: PROG

APPROVED: CDA:MRATNEY  
DRAFTED: P/E:DFABRYCKY  
CLEARED: NONE

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RR RUEHC RUEHZM RUEHGB RUEHKU RUEHTV RUEHJM  
DE RUEHDO #0863/01 2421104  
ZNY CCCCC ZZH  
R 301104Z AUG 07  
FM AMEMBASSY DOHA  
TO RUEHC/SECSTATE WASHDC 7003  
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE  
RUEHGB/AMEMBASSY BAGHDAD 0181  
RUEHKU/AMEMBASSY KUWAIT 8917  
RUEHTV/AMEMBASSY TEL AVIV 3158  
RUEHJM/AMCONSUL JERUSALEM 2206

C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000863

SIPDIS

NEA/RA FOR ALIX SUNDQUIST

E.O. 12958: DECL: 08/30/2017  
TAGS: [ECPS](#) [EINV](#) [KPAL](#) [KPAO](#) [PGOV](#) [EG](#) [IS](#) [IZ](#) [KU](#) [QA](#)  
SUBJECT: SUBJECT: QTEL CHAIRMAN DISCUSSES PLANS FOR IRAQ,  
PALESTINIAN TERRITORIES, ARABSAT BROADCASTS OF AL-ZAWRAA

REF: A. 06 DOHA 1674

[B](#). KUWAIT 443  
[C](#). JERUSALEM 1453  
[D](#). STATE 84112

Classified By: CDA Michael A. Ratney, reasons 1.4 (b) and (d).

[1](#). (C) SUMMARY: CDA and Econoff met August 29 with Sheikh Abdulla bin Mohamad Al Thani, Chairman of government-controlled QTel, and Dr. Nasser M. Marafih, QTel CEO, to discuss QTel investments in Iraq and elsewhere in the region, as well as ArabSat broadcasts of Al-Zawraa. QTel continues a rapid expansion of investments throughout the Middle East while faced with an imminent loss of monopoly status in Qatar. Sheikh Abdulla and Marafih believe Iraq has some of the highest potential growth in the regional telecommunications market and seem undaunted by security concerns. QTel-controlled Wataniya continues to wait for an Israeli-issued frequency before beginning operations in the Palestinian territories. In response to Charge's request for help stopping ArabSat broadcasts of Al-Zawraa, Sheikh Abdulla promised to look into the matter and respond to USG concerns.  
END SUMMARY.

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QTel Setting Sights on Regional Growth  
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[2](#). (U) QTel is Qatar's sole telephone, cell phone, and Internet operator. The GOQ rescinded QTel's monopoly status in late 2006 and established a new regulatory body, ictQatar, which will open the telecommunications market in coming months by issuing licenses to competitors (Ref A). QTel has

spent over USD 4.5 billion for acquisitions this year, is present in 15 countries, and continues to look for areas to expand its network and investments in the Middle East and East Asia. In March, QTel acquired a 51 percent controlling-stake in Kuwait's Wataniya mobile company (Ref B), giving it an interest in the Palestinian territories and five countries in the region. With a total mobile subscriber base of 13 million, QTel is increasingly reaching beyond Qatar's profitable but tapped-out market.

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Investment in Iraq  
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13. (C) On August 17, the Asiacell Consortium acquired one of three 15-year GSM licenses in Iraq at a cost of USD 1.25 billion. The consortium is majority-owned by Iraqi nationals and includes current operator Asiacell Iraq, QTel, and MerchantBridge, an investment bank. QTel holds 30 percent of the consortium's shares. Sheikh Abdulla noted that the licensing fee was much higher than expected. Iraq is requiring payments for the licenses on a very tight schedule, with the third and last payment by October, and QTel is having some difficulty arranging financing on such a short timeline. Despite the cost, QTel believes there is strong growth potential in the Iraqi market. There are currently about 10 million customers in Iraq using the three licensed providers, with 3.6 million using Asiacell, but the market is less than 40 percent penetrated. By contrast, Qatar's market is saturated at 125 percent, already more than one phone per person. The three carriers in Iraq used to be mostly segmented by region, with Asiacell predominating in the north, but national telecom systems are under development, according to Sheikh Abdulla. Most mobile services in Iraq are now pre-paid but the consortium plans to introduce more subscription-based plans as well as new technologies such as data services, according to Marafih. Charge told the QTel officials that the investment would be a welcome and tangible sign of confidence in Iraq's future.

14. (C) As part of the new license, the group will inherit from Asiacell Iraq over 1600 telecom-related sites in the country, and is planning to upgrade and expand the network's infrastructure. QTel is also considering buying the Iraq assets of Egypt's Orascom Telecom, which did not bid on an Iraq license and is considering pulling out of the country. Sheikh Abdulla was not overly concerned about security in Iraq for the telecommunications sector, believing that there have been few attacks on installations. He opined that potential attackers may be deterred because they also depend on the network. Marafih was less sanguine on security, noting that Asiacell currently employs a 3,000-strong guard force for its telecom sites and attacks remain a concern. Sheikh Abdulla asked our assistance in coordinating, particularly on security, with U.S. officials in Iraq as their involvement in the Iraqi market progresses.

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Uncertainty over Palestinian Investment  
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15. (C) On September 18, 2006, Kuwait's Wataniya (now QTel-controlled) acquired a license from the PA to be the second mobile operator in the West Bank and Gaza (Palestine Cellular Communications Ltd. has been the sole provider since 1999). Wataniya established its corporate structure in the Palestinian territories through a partnership with the Palestine Investment Fund. Once Israel allocates a frequency, Wataniya will pay USD 355 million to the PA for the license (Ref C). Sheikh Abdulla said Wataniya is ready to launch services but has had to delay because of the lack of a frequency and security concerns following the Hamas takeover of Gaza. He said QTel was "uncertain" how to proceed and waiting for PA President Mahmoud Abbas and Israeli Prime Minister Olmert to reach agreement on releasing a frequency. He said he hopes the USG can bring some pressure to bear to move this process along. Sheikh Abdulla expects that Wataniya will for now only start services in the

West Bank until the situation in Gaza becomes clearer.

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ArabSat Broadcasts of Al-Zawraa  
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¶6. (C) Charge raised USG concerns over continued ArabSat broadcasts of Iraqi insurgent television Al-Zawraa (Ref D), noting that the program's violent and objectionable content is in direct opposition to Qatari and QTel interests, particularly given its recent decision to invest in Iraq. (Note: Qatar is one of ArabSat's five permanent board members and QTel represents Qatar on the board. End note.) Both Sheikh Abdulla and Marafih noted that Saudi Arabia and Kuwait own the largest shares of ArabSat and suggested pressuring them would be the best route to effect change. He agreed that Al-Zawraa programming was a problem and promised to discuss the issue with QTel officials and his Kuwaiti contacts and respond to U.S. concerns.

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Comment: Profit Motive Overcomes Security Concerns  
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¶7. (C) While Qatari officials have never been forward-leaning politically on Iraq, and have expressed deep misgivings about the current Iraqi leadership, they are showing no such reticence when it comes to turning a profit in the Iraqi market. QTel senior leaders clearly believe the Iraqi telecom sector shows strong potential despite ongoing security concerns. GOQ-controlled QTel's investment in Iraq can be seen as a significant and tangible vote of economic confidence in the country's future.

¶8. (C) Likewise, QTel's continued interest in starting Wataniya's delayed operations in the Palestinian territories demonstrate the GOQ's willingness to go where others fear to tread in pursuit of profit. Faced with losing monopoly status in Qatar and with an increasing network of affiliates and investments throughout the Middle East and Asia, the deep-pocketed QTel is transitioning from a protected national company into a serious, competitive international telecommunications operator.

RATNEY